Supreme Court, U.S.
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No. 99-469

IN THE

Supreme Court of the United States

KARAVAN TRAILERS, INC.,

Petitioner,

v.

MIDWEST INDUSTRIES, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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STATEMENT PURSUANT TO RULE 29.6

Respondent, Midwest Industries, Inc., has no parent corporation and no publicly held company owns 10% or more of its stock.

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STATEMENT OF THE CASE

A. Material Facts.

Respondent believes it necessary to point out and clarify certain issues of fact and law that were not fully addressed in the petition so that the Court has a proper understanding of the proceedings below which bear on the issues now before this Court.

B. The Proceedings at the District Court.

The Respondent, Midwest Industries, is the exclusive licensee of U.S. Patent No. 5,518,261 entitled: "Personal Watercraft Trailer" (hereinafter the '261 utility patent) as well as U.S. Patent No. Des. 346,772 entitled: "Personal Watercraft Trailer" (hereinafter the '772 design patent).

Midwest Industries originally brought an action against the Petitioner, Karavan Trailers, for infringement of the '772 design patent and another design patent not relevant to this petition. The '261 utility patent was not in-suit because it was in the process of reissuance. After Midwest filed the original complaint, Midwest was granted two Iowa State Trademark Registrations (No. W00149885 and No. W00143649) for the distinctive configuration of the curved winch posts used on its Personal Watercraft (PWC) trailers. Midwest was allowed to amend its complaint to include state trademark infringement counts of its two Iowa State trademarks, as well as federal unfair competition counts under 15 U.S.C. § 1125(a) for trade dress infringement and also common law trademark infringement and unfair competition counts.

Karavan filed a Rule 12(b)(6) motion to dismiss Midwest's trademark and trade dress counts alleging that these counts were barred by federal patent law due to the '261 utility patent. Karavan based its 12(b)(6) motion on the Tenth Circuit decision of *Vornado Air Circulation Systems v. Dura-craft Corp.* 58 F.3d 1498 (10th Cir. 1995). After a hearing on Karavan's 12(b)(6) motion, the district court, relying on the Tenth Circuit *Vornado* decision, granted Karavan's 12(b)(6) motion and dismissed Midwest's trademark and trade dress counts holding that these counts were barred due to the existence of the '261 utility patent. Midwest filed a motion for reconsideration informing the district court that it erred by going beyond the pleadings when considering the '261 utility patent in granting Karavan's 12(b)(6) motion. The district court acknowledged its error and granted Midwest's motion for reconsideration. However, without any further hearings, the district court, sua sponte, converted Karavan's 12(b)(6) motion into one for partial summary judgment and again dismissed Midwest's trademark and trade dress counts holding that these counts were barred due to the existence of the '261 utility patent. Midwest filed for and received a Rule 54(b) certificate and appealed the district court's dismissal of its trademark and trade dress counts to the Court of Appeals for the Federal Circuit.

C. The '261 Utility Patent.

The subject matter of the '261 utility patent, as illustrated in the patent drawing figures 1 and 3 below, is directed toward a trailer for transporting personal watercrafts (PWC's).

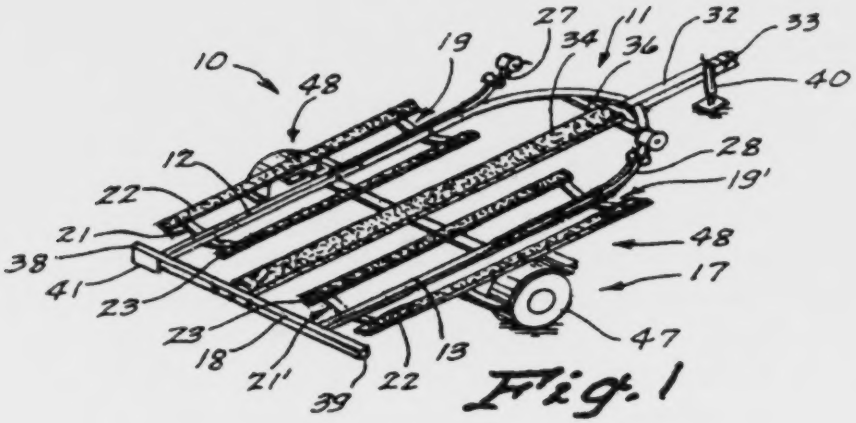

Fig. 1

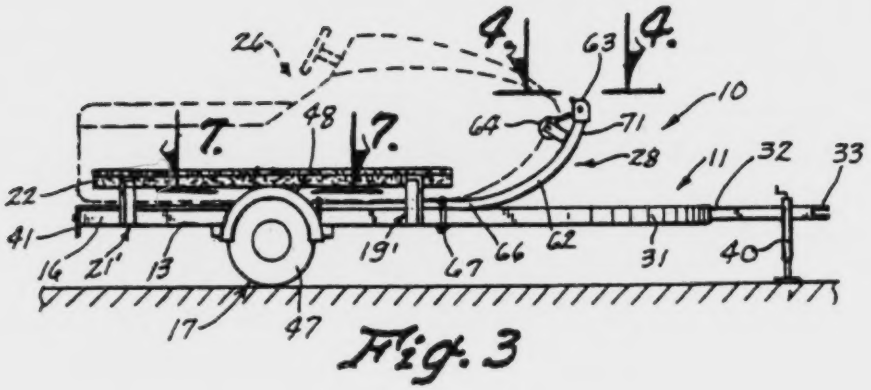

Fig. 3

Midwest Industries asserts trade dress in the distinctive curve of the winch post used on its PWC trailers. Midwest's asserted trade dress in the curved winch post appears in the patent drawing figures of the '261 utility patent (particularly Fig. 3), indicated by the reference numeral "62". The winch post element "62" of the '261 utility patent is defined as having a configuration only in claim 10 of the '261 utility patent, which is dependent upon dependent claim 7 and independent claim 5. These claims of the '261 utility patent are set forth immediately below, with the winch post configuration language emphasized.

> 5. A personal watercraft trailer comprising:
>
> a frame including a pair of laterally spaced frame members, said frame members each having a rear end, a portion extended longitudinally of said frame and a forward element, said forward elements converging to form a tongue unit, said frame member portions extended parallel each other;
>
> a wheel and axle assembly supporting said frame;
>
> a cross member unit secured to and extended between said frame member rear ends;
>
> a pair of bracket units secured in longitudinally spaced relation to each frame member portion;
>
> a pair of boat hull engaging members mounted on said pair of bracket units for engaging the single hull of a boat support thereon;
>
> an elongated element having one end secured to each frame member portion, and having further a free end disposed forwardly of said one end relative to said frame member, said element

disposed in longitudinal alignment with said frame member portion to which it is secured; and

a bow stop mounted on said element free end for abutment with the bow end of a boat supported on each pair of hull engaging members.

7. The personal watercraft trailer of claim [5], and further wherein each said bracket unit includes a pair of wing members having inner ends secured to a said frame member portion, with outer ends of said wing members extended laterally outwardly from said frame member to form a V-shape in rear elevation, each pair of said bracket units longitudinally aligned.

10. The personal watercraft trailer of claim 7, *with each said elongated element said one end substantially straight* for mating engagement with a contiguous frame member portion, and *with said free end curved forwardly and upwardly away from said one end, said element disposed normally in a vertical plane.*

D. The Proceedings at the Federal Circuit.

The Federal Circuit reversed the district court's grant of summary judgment and remanded the case back to the district court directing it to conduct an inquiry into functionality in order to determine whether Midwest's curved winch post is functional and whether Midwest has satisfied the other requirements for protection under the Lanham Act and Iowa state trademark law.

REASONS FOR DENYING THE WRIT

I.

THE FIRST QUESTION PRESENTED FOR REVIEW BY THE PETITIONER HAS BEEN RESOLVED BY RECENT FEDERAL LEGISLATION AND THEREFORE ANY PERCEIVED CONFLICT BETWEEN THE TENTH CIRCUIT AND THE FEDERAL CIRCUIT WITH RESPECT TO WHETHER TRADE DRESS PROTECTION IS AVAILABLE FOR PRODUCT CONFIGURATIONS WHERE THE ASSERTED TRADE DRESS IS ALSO CLAIMED IN A UTILITY PATENT IS NOW MOOT.

Petitioner identified two questions for review by this Court. The first is whether federal patent law preempts federal and stated trademark law if the asserted product configuration trade dress is claimed in a utility patent.

In urging this Court to grant cert., Petitioner identifies a perceived conflict between the Tenth Circuit and the Federal Circuit with respect to whether trade dress protection should be available if the asserted trade dress is also claimed in a utility patent. This perceived conflict is best illustrated by the following quotes from the recent decisions by the respective Circuit Courts of Appeal. The Tenth Circuit has held that:

> [W]here a disputed product configuration is part of a claim in a utility patent, and the configuration is a described significant inventive aspect of the invention, . . . , so that without it the invention could not fairly be said to be the same invention, patent law prevents its protection as trade dress, *even if the configuration is nonfunctional*.

Vornado Air Circulation Systems v. Duracraft Corp., 58 F.3d 1498, 1510 (10th Cir. 1995), *cert. denied*, 116 S. Ct. 753 (1996) (emphasis added). Whereas the Federal Circuit has held that:

> Other courts of appeals, both before and after *Bonito Boats* [*Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989)], have followed the lead of the Court of Customs and Patent Appeals in holding that *a product may be entitled to trade dress protection for distinctive, nonfunctional features, even if the product is, or has been, the subject of a patent.* . . . The Tenth Circuit stands alone in holding to the contrary. . . .

Midwest Industries v. Karavan Trailers, 175 F.3d 1356, 1364 (Fed. Cir. 1999) (emphasis added).

While these decisions appear to present a conflict between the Tenth Circuit and the Federal Circuit over the issue of whether "functionality" or the existence of a utility patent is the determining factor for trade dress protection of a product configuration, any perceived conflict between the Tenth Circuit and the Federal Circuit is now moot due to recent federal legislation.

On August 5, 1999, President Clinton signed into law the Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218, which amends Section 43(a) of the Trademark Act of 1946 (15 U.S.C. § 1125(a)) by adding at the end of that statute the following:

> (3) In a civil action for trade dress infringement under this Act for trade dress not registered on

> the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not *functional*.

113 Stat. 218 (emphasis added).

A review of the legislative history of Pub. L. No. 106-43, 113 Stat. 218, clearly shows that Congress amended Section 43(a) of the Act to address the conflicting policies behind trademark law and patent law when trade dress is asserted in a product configuration that is, or has been, the subject of a patent.

> Section five amends section 43(a) of the Lanham Act to provide that in an action for trade dress infringement, where the matter sought to be protected is not registered with the U.S. Patent and Trademark Office, the plaintiff has the burden of proving that the trade dress is not functional. A functional feature of trade dress is one that is commonly used by similar businesses, protection of which would hinder competition. If a mark is registered, there is a presumption that it is not functional. However, for plaintiffs of unregistered marks to be given the same presumption would not promote fair competition or registration. *For example, the owner of a patent that is about to expire may try to register it as a trademark, which receives protection as long as the owner uses it in commerce. This amendment seeks to ensure that marks that are functional are not registered. Functional marks should be dealt with under patent law. Therefore, it should be incumbent on*

> *the plaintiff suing for infringement of an unregistered mark to prove that the mark is not functional.*

H.R. Rep. No. 250, 106th Cong., 1st Sess. (1999) (Background and Need for the Legislation) (emphasis added).

In addition, on October 30, 1999, the Trademark Law Treaty Implementation Act, Pub. L. No. 105-330, 112 Stat. 3064, became effective. Under this Act, a number of other statutes of the 1946 Trademark Act were also amended to include the functionality doctrine in defining protectable subject matter for trademarks. For example: 15 U.S.C. § 1052(e) was amended to exclude from registering on the principal register "any matter that, as a whole, is functional." Furthermore, 15 U.S.C. § 1064(3) was amended to include "or is functional" as a ground for cancellation of a registration of a trademark. And finally, 15 U.S.C. § 1091(c) was amended to include "any matter that as a whole is not functional" to the list of subject matter that is registerable on the supplemental register.

With the recent passage of these two amendments to the 1946 Trademark Act, the intent of Congress is clear — *functionality* is the sine qua non of determining when a product configuration is entitled to trade dress protection — not whether the asserted trade dress is or has been claimed in a utility patent. Accordingly, the Tenth Circuit's decision in *Vornado* appears to be overruled by legislation, and thus, there remains no conflict to be resolved between the Tenth and Federal Circuit decisions on this issue.

II.

THE FEDERAL CIRCUIT'S DECISION HAS NOT SO FAR DEPARTED FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS AS TO CALL FOR AN EXERCISE OF THIS COURT'S SUPERVISORY POWER — TO THE CONTRARY, THE FEDERAL CIRCUIT'S DECISION IN THE PRESENT CASE IS CONSISTENT WITH OVER THIRTY YEARS OF ESTABLISHED PRECEDENT IN DEFINING THE BOUNDARIES OF TRADE DRESS PROTECTION.

The Petitioner urges this Court to exercise its supervisory power over an issue that for the past thirty years has consistently and repeatedly been the cornerstone for defining the boundary of trade dress protection.

This Court in *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995) held that "[t]he *functionality doctrine* prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature." *Id* at 164. A product configuration is said to be "functional" if it is " 'essential to the use or purpose of the article or if it effects the cost or quality of the article,' that is, if the exclusive use of the feature would put competitors at a significant, non-reputation related disadvantage." *Id.* at 165 (*quoting Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 850 n.10 (1982)). Since at least 1961, the Federal Circuit and its predecessor court have repeatedly and consistently held that the availability of trade dress protection does not depend on whether a patent has been obtained for the product or feature in question. Rather, the Federal Circuit has consistently and

repeatedly held that trade dress protection of a product configuration is available if it acts as a designation of source and if the asserted trade dress is "non-functional," regardless of whether the asserted trade dress is or was the subject of a utility patent.

> To be sure, statements in a patent may provide evidence that the asserted trade dress is functional, and thus not entitled to legal protection. But the fact that a patent has been acquired does not convert what otherwise would have been protected trade dress into nonprotected matter. As the Court of Customs and Patent Appeals put the matter in the seminal Deister case, "we are not seriously concerned with whether he who claims trademark rights of unlimited duration now has or did have patent protection, or what that protection was."

Midwest Industries, 175 F.3d at 1362 (internal citations omitted) (*quoting In re Deister Concentrator Co.*, 289 F.2d 496, 501 (C.C.P.A. 1961)).

As the Federal Circuit stated: "[t]he Tenth Circuit stands alone in holding to the contrary . . ." *Id.* at 1363. Since the 1995 *Vornado* decision, no other Circuit Courts of Appeal have followed the Tenth Circuit's rational. To the contrary, every Circuit Court of Appeal that has had the opportunity to visit this issue has either distinguished the rogue *Vornado* decision or has completely ignored it. *See, e.g., Ashley Furniture Ind. v. Sangiancomo N.A. Ltd.*, 187 F.3d 363, 376 (4th Cir. 1999); *Pebble Beach Co. v. Tour 18 I, Ltd.*, 155 F.3d 526, 548 n.16 (5th Cir. 1998); *Sunbeam Products, Inc. v. The West Bend Co.*, 123 F.3d 246, 256 (5th Cir. 1997);

Thomas & Betts Corp. v. Panduit Corp., 138 F.3d 277, 287-89 (7th Cir. 1998); *Elmer v. ICC Fabricating*, 67 F.3d 1571, 1580 (Fed. Cir. 1995).

Accordingly, in view of the failure of any other Circuit Courts of Appeal to adopt the Tenth Circuit's rational, there is no need for this Court to exercise its supervisory power to resolve a conflict created from one rogue decision by the Tenth Circuit, and which, in light of the recent federal legislation identified above, now appears moot anyway.

Furthermore, with respect to the facts of the present case, Petitioner's reliance on *Bonito Boats Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938); *Singer Mfg. v. June Mfg.*, 163 U.S. 169 (1896) and *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) which it cites for the proposition that after expiration of a patent, the subject matter of the patent passes to the free use of the public, is misplaced. The Respondent, Midwest Industries, is not seeking trade dress or trademark protection in the "subject matter" of either the '261 utility patent or the '772 design patent. Clearly Midwest could not claim a trademark or trade dress on the entire PWC trailer that was the subject of the '261 utility patent or the '772 design patent. *See, e.g., Elmer*, 67 F.3d at 1580 (Enforcing a trade dress right to be essentially coextensive with or broader than the claims of a patent would frustrate the right to copy the claimed invention after the patent expires) (*citing Qualitex*, 514 U.S. at 165; *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 165 (1989); and *Kellogg, supra*. Midwest is not attempting to make such a broad claim — Midwest is not trying to foreclose competitors from selling PWC trailers having a winch post. Rather, Midwest is urging that when people see a PWC trailer with

the particular curved winch post sought to be protected by trade dress, that curved winch post makes them think of Midwest. Therefore, Midwest is only trying to keep others from selling PWC trailers that use a confusingly similar curved winch post, a distinctive feature that the public has associated with Midwest PWC trailers. After the '261 utility patent or the '772 design patent expires, the public is free to make the "claimed invention(s)" (i.e. the subject matter) of those patents.

In the case of the '261 utility patent, dependent claim 10 of that patent (quoted in its entirety above), for example, defines a PWC trailer that is comprised of eight elements or limitations, only one of which is directed toward a winch post. Thus, after the '261 utility patent expires, the public can make PWC trailers having the claimed combination of the eight elements, even PWC trailers with curved winch posts — so long as their curved winch posts are not confusingly similar to Midwest's particular curved winch post.

Midwest's position is entirely consistent with Federal Circuit precedent. *See, e.g., Elmer*, 67 F.3d at 1580:

> If the asserted trade dress had been narrowly defined to cover only one of the many product configurations within the scope of the claim, one might have a different case. In such case, upon expiration of the [plaintiff's] patent, competitors would be free to practice the [claimed patented] invention . . . ; They simply could not choose a product configuration that would be confusingly similar to the trade dress of [plaintiff's] product.

Under the flawed rational of the Petitioner and the Tenth Circuit, they attempt to elevate one of eight elements of a claimed combination of elements to the status of a claimed "invention." This is contrary to established patent law. *See, e.g., Rowell v. Lindsay*, 113 U.S. 97, 101 (1884) ("None of the separate elements of which the combination is composed are claimed as the invention of the patentee, therefore none of them standing alone are included in the monopoly of the patent"). Accordingly, this Court should not grant writ on an issue propounded by the Petitioner that is contrary to over a century of established patent law.

III.

THE SECOND QUESTION PRESENTED FOR REVIEW BY THE PETITIONER DOES NOT WARRANT REVIEW BY THIS COURT BECAUSE THE FEDERAL CIRCUIT'S DECISION TO APPLY ITS OWN LAW IN DETERMINING WHETHER PATENT LAW CONFLICTS WITH OTHER CAUSES OF ACTION IS CONSISTENT WITH ITS FEDERAL MANDATE AND IS CONSISTENT WITH ITS PRIOR PRECEDENT ON SIMILAR ISSUES.

The second question presented by the Petitioner for review by this Court is whether the Federal Circuit is entitled to apply its own law when deciding whether patent law preempts other causes of action or whether the Federal Circuit is required to apply the law of the regional circuit from which the appeal originated in deciding such issues.

It is important to note that neither party challenged the choice-of-law issue in their respective appeal briefs or in oral arguments to the Federal Circuit — the Federal Circuit raised and decided this issue, en banc, sua sponte.

In deciding this issue, the Federal Circuit clearly articulated why it felt it must apply its own law to decide whether a non-patent claim was barred by principles of patent law:

> In order to fulfill our obligation of promoting uniformity in the field of patent law, it is equally important to apply our construction of patent law to the questions whether and to what extent patent law preempts or conflicts with other causes of action. . . . We hold that our responsibility to decide what patent law permits and prohibits requires that we apply our own law to such cases.
>
> . . . . [W]e think that as the sole appellate exponent of patent law principles this court should play a leading role in fashioning the rules specifying what patent law does and does not foreclose by way of other legal remedies. If we simply follow regional circuit law in deciding questions and other legal remedies, other courts will not have the benefit of our analysis of the substance and scope of patent law in such cases. Such abdication, we think, would in the end disserve the interest in attaining coherence and consistency in the law relating to patents.

Midwest Industries, 175 F.3d at 1360-61. As indicated by the Federal Circuit, its basis for applying its own law as opposed to that of the regional circuit on whether patent law preempts trade dress claims is consistent with its holdings in other cases that presented similar issues. *Id.* at 1360 ("Although we do not have exclusive jurisdiction over unfair competition claims, we nonetheless held that Federal Circuit

law applies to the question whether inequitable conduct in the prosecution of a patent constitutes unfair competition.") (*citing Pro-Mold & Tool Co. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568 (Fed. Cir. 1996)); ("[T]he question whether particular conduct by a patentee exposes the patentee to suit under the antitrust laws would be decided under this court's precedents, because the court regarded the question as one that 'clearly involves our exclusive jurisdiction over patent cases.' ") (*citing Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067-68 (Fed. Cir.), *cert. denied*, __ U.S. __, 119 S. Ct. 178 (1998).

In urging this Court to grant writ of certiorari, the Petitioner argues that "if a case is or may be appealed to the Federal Circuit, a district court must ignore the precedent in its own circuit on substantive non-patent issues, and instead apply the substantive law, if any, of the Federal Circuit." Petition for Writ, p 15. This argument is overreaching and mischaracterizes the Federal Circuit's holding.

The only time a district court must "ignore" the law of the regional circuit in which it sits and apply the law of the Federal Circuit, is in deciding whether a claimant's asserted non-patent claims (e.g. trademark, trade dress or copyright claims) are preempted by patent law. Contrary to Petitioner's arguments, this will not create serious and irresolvable conflicts between the Circuits. Rather, the Federal Circuit's holding will minimize conflicts between the circuits, because the courts and litigants will be able to look to the law of a single court, the Federal Circuit, in deciding such issues, which in turn will promote uniformity in the law among all the Circuits.

Nor will the Federal Circuit's decision exacerbate the potential for forum shopping. If a claimant asserts patent claims along with non-patent claims, the case is appealable only to the Federal Circuit. If patent claims are not asserted, the case must be appealed to the regional circuit in which the district court sits. *See* 28 U.S.C. § 1295(a)(1); *see also Cable Electric Products v. Genmark, Inc.*, 775 F.2d 1015, 1032 (Fed. Cir. 1985) ("When patent claims are joined in the same case with other counts, the appeal of nonpatent counts accompanies the appeal of the patent count to this court. In such 'mixed cases' this avoids the bifurcation of appeals between the Federal Circuit and the regional circuit to which appeals from the district court of nonpatent counts would otherwise be directed."), *overruled on other grounds by*, *Midwest Industries*, 175 F.3d 1356 (Fed. Cir. 1999). Furthermore, the existing statutes controlling the federal court's jurisdiction and venue over such causes of action remain to prevent or minimize the type of forum shopping which Petitioner alleges will occur in light of the Federal Circuits holding. *See* 28 U.S.C. §§ 1331, 1338, 1391, 1400 and 1404.

Accordingly, the Federal Circuit's holding with respect to the choice-of-law it will apply when deciding whether patent law preempts non-patent claims is not only consistent with its federal mandate and its prior precedent on similar issues, but will promote uniformity of the law among the circuits and will not encourage forum shopping. As such, Petitioner's second question for review does not warrant review by this Court.

CONCLUSION

For the foregoing reasons, there is no cause for this Court's review of the questions presented by the Petitioner and therefore the petition should be denied.

Respectfully submitted,

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